Institute and Faculty of Actuaries

March 2026

Response to FRC consultation on Technical Actuarial Standards for collective money purchase schemes

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 34,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

The IFoA welcomes the opportunity to respond to the Financial Reporting Council (FRC) consultation on Technical Actuarial Standards for Collective Money Purchase Schemes, published on 9 February 2026. We see CDC as an important step forward in the evolution of UK pensions. CDC schemes have long been supported by the IFoA as a means of delivering better outcomes for savers by pooling longevity and investment risk, enabling more sustainable and potentially higher retirement incomes than traditional individual DC approaches. Extending TAS 310 to include unconnected multi-employer CDC schemes (UMES) is an important next step and we encourage the FRC to ensure the updated standard can be in place well in advance of UMES applications becoming a reality from 31 July 2026.

Overall we welcome the changes outlined in the consultation to allow actuaries to provide the appropriate advice in relation to UMES schemes. However, we have some constructive suggestions in several areas. Our detailed responses to the consultation questions are shown below.

The response has been drafted by our Pensions Board's CDC Working Party and agreed with Pensions Board. As this consultation is of a regulatory nature, this response has been approved on behalf of the IFoA by the Regulatory Board.

If you have any questions on the response, please contact David Gordon (reviews@actuaries.org.uk) in the first instance.

Yours faithfully

Sam Younger
Lay Chair, IFoA Regulatory Board

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Appendix - Response to consultation questions

Question 1

What are your views on the proposed provisions P7.1 and P7.5? Are there any specific rating factors (for example, age) that you think should or shouldn't be used in determining actuarial equivalence?

We think that P7.1 and P7.5 should require consideration/communication of the appropriate effective date for the calculations.

We think that the P7.1 requirement to consider "all material **rating factors**" is unclear and likely to be very onerous. In particular, taking the words in turn:

- Is the underlining of "all" appropriate? This does not appear to be a format used elsewhere in TAS310 (or other TASs, from a brief review). We would question whether the word "all" is required at all as it is redundant - a requirement to consider "the material **rating factors**" would be equivalent.
- The word "material" is a defined term but in this context it has not been highlighted as a defined term. Neither "material" as defined in the glossary or material in the normal English sense really make sense in this context.
- The definition of "rating factor" is extremely widely drafted, capturing any attribute that may lead to a different actuarial value. This would be a very long list of factors, some of which would be impractical or disproportionate to obtain from members.

We would suggest that

- Rather than "all material **rating factors**" the TAS should refer to "the **material rating factors**",
- the glossary should define "material rating factors" (rather than "rating factor", but using similar wording) as "the attributes of an individual or group of individuals that may lead to a **material** difference in in actuarial value being placed on pension benefits building up for that individual or group of individuals and that are practically available".

This construction would enable the actuary to limit their consideration to rating factors which might realistically be chosen for accrual rates.

Straightforward consequential amendments would also be needed to P7.5, replacing references to "material **rating factors**" and "**rating factors**" with "**material rating factors**". We would also suggest removing the underlining of the word "must", to retain consistency with the usual TAS formatting.

We agree that age should be considered (and communicated) as a potential rating factor for all UMES schemes, and our view is that TAS310 should be worded so that this is expected of practitioners.

Question 2

What are your views on provisions P7.2 and P7.6? Are there any other issues relating to the choice of method that should be communicated to intended users?

We think that P7.2 and P7.6 should be additional requirements which only apply where consideration is being given to the adoption of the employer-level method.

We would expect most UMES schemes to calculate actuarial equivalence at the member-level and it should be made clear that these proposed provisions do not impose additional requirements for such schemes. For

example, P7.2 could be drafted to commence with “when advising on the choice of employer-level method for determining actuarial equivalence, practitioners must consider the expected cross-subsidies between different members or groups of members.”.

Likewise, P7.6 could be drafted to commence with “Practitioners’ communications on the choice of using an employer-level, rather than member-level, method for determining actuarial equivalence must explain the decisions made…”

Putting aside our suggested improvement to P7.2, we also note there is currently a typographical error in the exposure draft (the sixth word “of” should be deleted).

Question 3

What are your views on provisions P7.3 and P7.7? What other considerations are there in the choice of relevant period?

For both P7.3 and P7.7, we suggest that the list of considerations/points to communicate should include reference to the practical issues outlined in paragraph 3.19 of the consultation document, in particular “the time needed to agree assumptions, to carry out calculations, to communicate and to implement the **accrual rate**”.

We suggest the definition of accrual rate should refer to ‘pensionable salary’ rather than ‘salary’.

Question 4

What are your views on provisions P7.4 and P7.8? Are there any other areas where you expect a difference between the assumptions for actuarial equivalence and the actuarial valuation?

In P7.4, we do not think the words “if carried out at that date” are necessary, or helpful, given point b notes that allowance can be made for different effective calculation dates. The paragraph would be clearer if these words were removed.

P7.4 b should refer to “allowing for a different effective date” rather than “allowing for the different effective date”, given that some schemes may base their calculations on the effective date of the valuation. It would also be useful to define "effective date".

P7.4 and 7.8 should acknowledge that the accrual rate advice might be given during a valuation process, and so should be consistent with the latest completed valuation, with any divergence in the assumptions being explained and justified in the actuarial advice. (In this context, “consistent” means consistent with the principles used to derive the valuation assumptions).

In P7.8, we do not think the wording “and the expected resulting cross subsidies between different members of groups of members” should apply in all scenarios. In particular, it does make sense in the context of paragraph a. of P7.4 but it does not make sense in the context of paragraph b. of P7.4. We suggested this text is extended to read “and, for differences in demographic assumptions, the expected resulting cross subsidies between different members or groups of members”.

Question 5

Do you agree with the proposal to extend the requirements of P3.1 to accrual rates? Please provide reasons for your answer and alternative approaches where relevant.

Yes we agree.

Question 6

What are your views on the proposed new provisions P8.3 and P8.7? Do you believe the proposed changes create any additional requirements in relation to single employer CMP schemes? Please explain your rationale.

In P8.7, we think part a should state "explain any material difference between the assumptions adopted to derive different types of **actuarial factors**".

With the introduction of UMES we believe P8.3 could be extended to reference the need to justify any differences in approach for transfer in and transfer out terms and P8.4 should be amended to specify the same principles apply for both transfer out and transfer-in terms - in particular that when advising on or setting these terms which will be used for a one-off conversion of DC pot to CDC target pension, practitioners should consider the appropriate frequency of updating transfer-in terms (in the same way they do accrual rates) for e.g. changes in conditions that may materially alter the results of the calculation.

Question 7

What are your views on the proposed changes to provisions in relation to viability assessments? Are there any other areas an actuary should consider in relation to soundness of a CDC scheme?

This seems reasonable.

On the wider question of whether there are any other areas that the actuary should consider in relation to soundness, we would strongly caution about adding any further requirements to those outlined in legislation, particularly if this is done without having a thorough follow-up consultation on the implications of effectively extending the legislative definition via the TAS. More generally, we don't believe the role of the TAS should be to extend the legislative requirements.

We note there is currently a typographical error in the exposure draft P5.1 (the eighth or ninth word "in" should be deleted).

Question 8

Are there any areas where additional guidance would be helpful? If so, please set out the specific areas and/or provisions where guidance may be helpful.

No.

Question 9

Are there any further aspects of technical actuarial work you expect to be impacted by the introduction of UMESs regulations which are not adequately covered by the proposed changes to TAS 310? If so, please explain what they are.

No.

Question 10

What are your views on the proposal that the standard would be effective from 31 July 2026? Please set out any practical difficulties which you believe this might cause.

As UMES scheme actuary work is already underway, and authorisation applications that feature it can be submitted to the Regulator from 1 August 2026, we strongly support the final TAS310 v1.1 being made available as soon as possible and ideally well in advance of 31 July 2026 – and being effective from 31 July 2026.

Question 11

Do you agree with our impact assessment? Please give reasons for your response.

This seems fine to us.